

IRRRB Meeting Minutes
Monday, June 17, 2013
10:00 a.m.
IRRRB
Eveleth, Minnesota

1) Roll Call

Senator David Tomassoni called the meeting to order at approximately 10:07 a.m. Present: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Rod Skoe. Excused: Senator Tom Saxhaug. Minute Taker: Laureen Hall, Executive Assistant. Also present: Tony Sertich, Commissioner; Al Becicka, IRRRB Legal Counsel; Steve Peterson, Executive Director of Development; Matt Sjoberg, Director of Development; Dave Hart, Assistant Director Business Development; Chris Ismil, Community Development Representative; Linda Johnson, Giants Ridge Director; Marianne Bouska, Chief Operating Officer; Bob Scuffy, Accounting Officer Sr.; Sheryl Kochevar, Communications and Marketing Coordinator; Janette Paul, Executive Assistant; Dan Jordan, Mining and Reclamation Supervisor; Michael Peterson, The Range Tool Company; John Anderson and Todd Sneider, Northshore Manufacturing, Inc.; Charles Skinner, Lutsen Mountains Corporation; Bill Hendricks, City of Nashwauk; John Stini, Hammerlund Construction; Rob Mattei, City of Grand Rapids

2) Approval of the December 13, 2012, Minutes

Action required: Approval requires 7 votes

Representative David Dill moved approval of the December 13, 2012, minutes. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Rod Skoe, Senator David Tomassoni,

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Saxhaug

3) Reorganization of the Board (2013-2014)

a) Election of Chair and Vice Chair

Representative Carly Melin nominated Senator David Tomassoni as Chair and Representative Tom Anzelc as Vice Chair of the Iron Range Resources & Rehabilitation Board. Representative Jason Metsa seconded the motion. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Rod Skoe, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Saxhaug

4) Commissioner Comments

a) Commissioner Update

Commissioner Tony Sertich provided an update regarding the impact that the Board and agency have had on northeastern Minnesota regarding project totals, leverage and job creation over the past three years. He mentioned at today's meeting, the Board would be voting on \$1.4 million in investment to our communities, adding another 41 jobs. During the time period in which he has served as Commissioner, there has been a total of \$92 million in agency investment, which has leveraged more than \$500 million and created more than 2,000 construction jobs and more than 1,000 permanent jobs.

Since the IRRRB is funded by local tax dollars, which come under attack at times, Commissioner Sertich felt we should somehow assess and look at our agency's revenue and trust fund and make sure it stays in northeastern Minnesota. Therefore, he announced that he is creating the Better IRRRB Task Force to make recommendations on how we can improve and evolve to make sure we are meeting the needs of today and tomorrow and protect the money in the trust fund.

Commissioner appointments to the 15-member Better IRRRB Task Force are as follows:

- Chair
 - Ron Dicklich, RAMS President
- 4 community representatives
 - Jack Ryan, businessman and former IRRRB member
 - Laura Rusich, accountant
 - Latisha Gietzen, ferrous and non-ferrous industries
 - Bill Spang, banker
- 4 local elected officials
 - Hibbing Mayor Rick Cannata,
 - Nashwauk Township Chair Warren Stolp,
 - Virginia Councilor Nevada Littlewolf,
 - Ely Councilor Heidi Omersa
- 4 current IRRR Board members to be appointed by the Board chair
- 2 next generation members between the ages of 18-34
 - The commissioner will be putting out a call on social media sights for resumes and asking applicants to answer two questions: 1) why do they want to serve on the Task Force, and 2) what do they see as a vision for a Better Iron Range?

The Task Force will start meeting in July and have recommendations to the Commissioner by the end of the year. The Task Force will draw information from all stakeholders.

4) The Range Tool Company – Resolution No. 13-023

DJJ – Action required: Project approval requires 5 votes

Representative Jason Metsa moved to approve The Range Tool Company, LLC, request for financial assistance in the form of a bank participation loan in an amount not to exceed \$125,938 to purchase additional machining equipment and expand production capacity at its Gilbert, Minnesota facility, as presented in Resolution No. 13-023. Seconded by Senator Tom Bakk. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Rod Skoe, Senator David Tomassoni,

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Saxhaug

The Range Tool Company, LLC

310 North Broadway
Gilbert, Minnesota 55741

Bank Participation Loan Program

Applicant:	The Range Tool Company, LLC	
Project Location:	310 North Broadway Gilbert, Minnesota 55741	
Principal(s):	Michael Peterson, owner	
Project Description:	The proposed project will allow The Range Tool Company to purchase additional machining equipment to expand production capacity at its Gilbert, Minnesota facility. The company's primary product lines are in the design and machining of components for the firearms industry. The company now produces and ships product to all 50 states.	
Market Opportunity:	Due to limited capacity, much of The Range Tool Company's production is completed at other machine shops. This expansion will allow the company to keep production in Gilbert.	
Project Investment:		
	First National Bank of Gilbert, Equipment loan, 7-years Operating line-of-credit	\$ 125,938 25,000
	IRRRB Bank participation loan, equipment, 7-years	125,938
	Owner equity	5,764
	TOTAL	\$ 282,640
Jobs:	Two projected new full-time employees (current part-time employees will become full-time). Wages \$31,000 - \$42,000 per year plus benefits.	
Collateral:	Collateral will consist of a shared first-position on equipment and the personal guaranty of the owner.	

Business History:	The Range Tool Company was formed three years ago as a small contract precision machine shop in Gilbert, MN.
Past IRRRB History:	None.
Contingencies:	Other financing, substantially as indicated above, must be approved.
Technical Advisory Committee Recommendation:	Recommended approval, June 6, 2013.
Funding Authorization:	This project is authorized under the provisions of the Douglas J. Johnson Economic Protection Trust Fund Act (Minnesota Statutes sections 298.291-298.298) pertaining to expenditures of Douglas J. Johnson Economic Protection Trust Fund monies for economic development projects in that these statutes authorize small business development loans to private enterprises for the purposes of job creation and economic development within the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
 OF THE STATE OF MINNESOTA
 DOUGLAS J JOHNSON ECONOMIC PROTECTION TRUST FUND
 FUNDS FOR PURCHASE OF A PARTICIPATION INTEREST IN A
 LOAN FOR THE RANGE TOOL PROJECT**

Resolution No.: 13-023

WHEREAS, the Commissioner is authorized to expend, upon approval of over one-half of all members of the Board, the Douglas J. Johnson Economic Protection Trust Fund monies made available under Minnesota Statutes Sections 298.291-298.294 and Minnesota Statute Section 298.28, subdivision 11 (“**DJJ Funds**”), to provide loans and participate with private sources in providing financing for various projects located within the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341 (“**TAA**”) which will serve the purposes detailed in Minnesota Statutes Section 298.292, subdivision 1; and

WHEREAS, the agency’s FY13 Budget includes provision for the use of certain DJJ Funds for economic development projects under a budget line item category of DJJ Business Development Projects (“**FY13 DJJ Business Development Funds**”); and

WHEREAS, the Commissioner has received a proposal from The Range Tool Company, LLC, a Minnesota limited liability company with operations in Gilbert (“**Range Tool**”), to purchase machining equipment to expand its production capacity to enable an expansion of its business, and has made application to the Commissioner for financial assistance that, in combination with

funds provided from other sources, will finance its expansion project, which is more specifically described in the Board packet materials which are attached hereto and incorporated by reference as Exhibit A (the “**Range Tool Project**”); and

WHEREAS, the Commissioner has requested the Board to approve the expenditure of up to \$125,938 of FY13 DJJ Business Development Funds to purchase a participation interest in a bank loan, which is being made as part of a \$282,640 total investment, to enable Range Tool to finance the costs of the Range Tool Project, with the participation interest to be acquired on the terms and subject to the conditions set forth in Board packet materials and as otherwise discussed at the meeting; and

WHEREAS, the technical advisory committee appointed by the Commissioner under the provisions of Minnesota Statutes Section 298.297 to review the terms and conditions of the proposed Project, met on June 6, 2013, and recommended approval of the requested financial assistance for the Range Tool Project; and

WHEREAS, the Board met at the agency’s Administrative Building near Eveleth on Monday, June 17, 2013, at 10:00 a.m. to consider, among other matters, approval of the requested financial assistance for the Range Tool Project; and

WHEREAS, the Board has determined that it would be in the public interest to approve the expenditure of DJJ Funds for the Range Tool Project, and that the granting of the requested financial assistance would promote economic development in the TAA.

NOW, THEREFORE, IT IS RESOLVED, that the Board approves the expenditure of up to \$125,938 of FY13 DJJ Business Development Funds to purchase a participation interest in a bank loan which is being made to enable Range Tool to finance a portion of the costs of the Range Tool Project, with such participation interest to be purchased on the terms and subject to the conditions set forth in the Board packet materials and in the agency’s standard participation loan form, including the provisions customarily contained therein that require the borrower to pay at least prevailing wages to workers performing work on construction projects.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 17th DAY OF JUNE 2013.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug				X
Senator Rod Skoe	X			
Senator David Tomassoni	X			
Representative Tom Anzelc	X			
Representative David Dill	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			
Representative Joe Radinovich	X			
TOTAL	8	0	0	1

Signed: _____
Senator David Tomassoni, Chair

5) Northshore Manufacturing, Inc. – Resolution No. 13-024

TEPF – Action required: Project approval requires a simple majority of the quorum
Senator Tom Bakk moved to approve the expenditure of up to \$500,000 of TEPF funds in the form of a direct loan to purchase additional capital equipment that will increase efficiencies and allow the Northshore Manufacturing, Inc. to perform additional value added functions in house, as presented in Resolution No. 13-024. Seconded by Representative Joe Radinovich. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Rod Skoe, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Saxhaug

Northshore Manufacturing, Inc.
530 Recycle Center Drive
Two Harbors, Minnesota 55616

IRRRB Direct Loan Program

Applicant:	Northshore Manufacturing, Inc.	
Project Location:	530 Recycle Center Drive Two Harbors, Minnesota 55616	
Principal(s):	John Anderson	
Project Description:	<p>The proposed project includes the refinancing of existing debt, the purchase of additional production equipment, and additional working capital. The agency financing would be used specifically for the purchase of additional capital equipment that will increase efficiencies and allow the company to perform additional “value added” functions in house. The refinancing portion of the project will result in a substantial cash flow savings for the company.</p> <p>The company currently designs, manufactures and sells custom knuckle boom material handlers used primarily in the waste handling, scrap handling, forestry, railroad, mining and steel, and utility industries.</p>	
Market Opportunity:	Northshore Manufacturing’s ability to increase market share will be greatly improved with the investment in this project. Northshore Manufacturing currently serves a wide variety of industrial operations, primarily the scrap industry which is expected to improve in 2013-2014 due to higher demand and output.	
Project Investment:		
	Lake Bank	\$2,400,000

	Negotiated term and rate	
	IRRRB Formula rate Ten-year amortization	500,000
	SBA 504 Negotiated term and rate	2,100,000
	Northland Foundation Negotiated term and rate	250,000
	Entrepreneur Fund Negotiated term and rate	200,000
	TOTAL	\$5,450,000
Jobs:	6 projected new 60 retained Wages \$31,200 - \$62,400 per year plus benefits	
Collateral:	The loan will be secured with a first position lien on equipment to be purchased with proceeds including a CNC machining center, vertical CNC mill, 3.5 ton press brake, and a burn/plasma CNC. The loan will be personally guaranteed by John Anderson.	
Business History:	Northshore Manufacturing, Inc. was originally founded in 1978 under the name of Lakeshore Manufacturing in Two Harbors. In 1989 the name was changed to Northshore Manufacturing and the company began producing its own products under the Builtrite brand, along with maintaining accounts with original equipment manufacturers	
Past IRRRB History:	The company had a previous loan in the amount of \$75,000 that was paid as agreed and paid in full in 1995.	
Contingencies:	An alternative financial structure will be considered as long as the position of the agency is not materially compromised.	
Technical Advisory Committee Recommendation:	Recommended approval, June 6, 2013.	
Funding Authorization:	This project is authorized under the provisions of the Taconite Area Environmental Protection Fund, as codified under Minnesota Statutes, Section 298.223, by supporting local economic development and public works projects located within the Taconite Assistance Area defined in Section 273.1341.	

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
TACONITE AREA ENVIRONMENTAL PROTECTION FUND
FUNDS FOR PURCHASE OF A PARTICIPATION INTEREST IN A
LOAN FOR THE NORTHSORE MANUFACTURING PROJECT**

Resolution No.: 13-024

WHEREAS, the Commissioner is authorized to expend, upon approval of the Board, the Taconite Area Environmental Protection Fund monies made available under Minnesota Statutes Section 298.223 (“**TEPF Funds**”) to promote the economic development of the Taconite Assistance Area designated in Minnesota Statutes Section 273.1341 (“**TAA**”), by investing in local economic development projects within the TAA; and

WHEREAS, the agency’s FY 2013 Budget includes provisions for the use of certain TEPF Funds for economic development projects under a budget line item category of TEPF Business Development Projects (“**TEPF Business Development Funds**”); and

WHEREAS, the Commissioner has received a proposal from Northshore Manufacturing, Inc., with operations in Two Harbors, for the expenditure of up to \$500,000 of TEPF Business Development Funds for a project that would include the refinancing of existing debt and the purchase of additional production equipment, which project is more specifically described in the Board packet materials (“**Northshore Manufacturing Project**”); and

WHEREAS, the Commissioner has requested the Board to approve the expenditure of up to \$500,000 of FY13 TEPF Business Development Funds to purchase a participation interest in a bank loan, which is being made as part of a \$5,450,000 total investment, to enable Northshore Manufacturing to finance the costs of the Northshore Manufacturing Project, with the participation interest to be acquired on the terms and subject to the conditions set forth in the Board packet materials and as otherwise discussed at the meeting; and

WHEREAS, the Board met at the agency’s Administration Building near Eveleth on Monday, June 17, 2013, at 10:00 a.m. to consider, among other matters, the proposed Northshore Manufacturing Project and has determined that the expenditure of up to \$500,000 of TEPF Business Development Funds for the Northshore Manufacturing Project would be in the public interest and promote economic development within the TAA.

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the expenditure of up to \$500,000 of FY13 TEPF Business Development Funds to purchase a participation interest in a bank loan which is being made to finance a portion of the costs of the Northshore Manufacturing Project, with such participation interest to be purchased on the terms and subject to the conditions set forth in the Board packet materials and in the agency’s standard participation loan form, including the provisions customarily contained therein that require the borrower to pay at least prevailing wages to workers performing work on construction projects.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 17th DAY OF JUNE 2013.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug				X
Senator Rod Skoe	X			
Senator David Tomassoni	X			
Representative Tom Anzelc	X			
Representative David Dill	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			

Representative Joe Radinovich	X			
TOTAL	8	0	0	1

Signed: _____
 Senator David Tomassoni, Chair

6) Lutsen Mountains Corporation – Resolution No. 13-025

TEPF – Action required: Project approval requires a simple majority of the quorum
 Representative David Dill moved to approve the expenditure of up to \$450,000 of TEPF Funds in the form of a bank participation loan for major upgrades to the snowmaking capabilities at the Lutsen Mountain Ski area, as presented in Resolution No. 13-025. Seconded Senator Tom Bakk. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Rod Skoe, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Saxhaug

Lutsen Mountains Corporation

467 Ski Hill Road
 Lutsen, Minnesota 55612

IRRRB Bank Participation Loan Program

Applicant:	Lutsen Mountains Corporation
Project Location:	467 Ski Hill Road Lutsen, Minnesota 55612
Principal(s):	Charles M. Skinner Thomas C. Rider
Project Description:	The proposed project includes major upgrades to the snowmaking capabilities at the Lutsen Mountain Ski area on the north shore of Lake Superior, and the addition of two or three runs on Moose Mountain, which is the largest and has the most skiable terrain of the four mountains that comprise the ski area. This will complete the total upgrade of snowmaking replacement at the area which began in 2012. In addition to the project for which agency funding is being sought, the business is in the planning process for another major improvement at the ski area, the installation of a high speed chair lift. The net result of this project, also planned for the summer of 2013, would increase lift capacity at Moose Mountain from 3,000 passengers per hour to 5,200 passengers per hour, and will reduce the ride time from about 10 minutes to about 3 minutes.
Market Opportunity:	The snow making project for which funding is being sought,

	<p>combined with the snow making upgrades completed in 2012, and the proposed high speed lift will in some respects transform the entire ski area. These projects combined with the addition of a new gondola, planned for 2014 or 2015, will further enhance the ski experience to one that can be likened to that at a major western United States ski area, unlike any other area in the Midwest. There has been some consolidation in the United States ski market since 1980, going from 740 ski areas in the nation to 471. At the same time, the average number of skier visits per area has increased from less than 40,000 annually to over 60,000. The average number of skier visits at Lutsen has increased even greater, from under 40,000 visits in 1980 to over 80,000 in 2011, with the majority of the growth coming in the mid to late 1980s after significant improvements including expansion of terrain, upgrade of snow making, addition of “on hill” lodging, and most importantly the installation of a gondola were made. In general, the ski areas that make major improvements are the ones that continue to grow. These projects, completed and planned, seem to position Lutsen Mountains well into the future.</p>	
Project Investment:		
	IRRRB Formula rate 20 year amortization, 10 year balloon	\$450,000
	Great River Energy 1% 10 year amortization	350,000
	Equity	100,000
	TOTAL	\$900,000
Jobs:	<p>Projected 8 New 84 Retained Wages \$20,800 - \$62,400 per year plus benefits</p>	
Collateral:	<p>Shared first position, with Great River Energy as lead lender, on 12 snowguns, pumps, variable frequency drives and other snowmaking equipment installed as part of this project. The loan will be personally guaranteed by Charles Skinner and Tom Rider.</p>	
Business History:	<p>George Nelson founded the Lutsen Ski Area in 1948. Charlie Skinner, a ski industry pioneer who had founded the Sugar Hills Ski Area near Grand Rapids, MN in the early 1960s, purchased the business from Mr. Nelson in 1980. Charlie’s son, Charles Skinner, and son-in-law, Tom Rider, joined Lutsen Mountains in the early 1990s, and purchased the ski area from Charlie in 1999.</p>	
Past IRRRB History:	<p>The agency made a loan of \$125,000 to Lutsen Mountains Corporation in the 1980s. The loan was paid as agreed and paid in full in 1991.</p>	
Contingencies:	<p>An alternative financing structure may be considered as long as the IRRRB’s position is not materially compromised.</p>	
Technical Advisory	<p>Recommended approval, June 6, 2013.</p>	

Committee Recommendation:	
Funding Authorization:	This project is authorized under the provisions of the Taconite Area Environmental Protection Fund, as codified under Minnesota Statutes, Section 298.223, by supporting local economic development and public works projects located within the Taconite Assistance Area defined in Section 273.1341.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
 OF THE STATE OF MINNESOTA
 TACONITE AREA ENVIRONMENTAL PROTECTION FUND
 FUNDS FOR PURCHASE OF A PARTICIPATION INTEREST IN A
 LOAN FOR THE LUTSEN MOUNTAINS PROJECT**

Resolution No.: 13-025

WHEREAS, the Commissioner is authorized to expend, upon approval of the Board, the Taconite Area Environmental Protection Fund monies made available under Minnesota Statutes Section 298.223 (“**TEPF Funds**”) to promote the economic development of the Taconite Assistance Area designated in Minnesota Statutes Section 273.1341 (“**TAA**”), by investing in local economic development projects within the TAA; and

WHEREAS, the agency’s FY 2013 Budget includes provisions for the use of certain TEPF Funds for economic development projects under a budget line item category of TEPF Business Development Projects (“**TEPF Business Development Funds**”); and

WHEREAS, the Commissioner has received a proposal from Lutsen Mountains Corporation for the expenditure of up to \$450,000 of such TEPF Business Development Funds for a project that would include major upgrades to improve snowmaking capacity at the Lutsen Mountain Ski Area as well as the addition of two or three additional skiing runs on Moose Mountain, which project is more specifically described in the Board packet materials (“**Proposed Lutsen Mountains Project**”); and

WHEREAS, the Commissioner has requested the Board to approve the expenditure of up to \$450,000 of FY13 TEPF Business Development Funds to purchase a participation interest in a commercial loan, which is being made as part of a \$900,000 total investment, to enable Lutsen Mountains Corporation to finance the costs of the Proposed Lutsen Mountains Project, with the participation interest to be acquired on the terms and subject to the conditions set forth in the Board packet materials and as otherwise discussed at the meeting; and

WHEREAS, the Board met at the agency’s Administration Building near Eveleth on Monday, June 17, 2013, at 10:00 a.m. to consider, among other matters, the Proposed Lutsen Mountains Project and has determined that the expenditure of up to \$450,000 of TEPF Business Development Funds for the Proposed Lutsen Mountains Project would be in the public interest and promote economic development within the TAA.

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the expenditure of up to \$450,000 of FY13 TEPF Business Development Funds to purchase a participation interest in a commercial loan for the Proposed Lutsen Mountains Project, with such participation interest

to be purchased on the terms and subject to the conditions set forth in the Board packet materials and in the agency's standard participation loan form, including the provisions customarily contained therein that require the borrower to pay at least prevailing wages to workers performing work on construction projects.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 17th DAY OF JUNE 2013.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug				X
Senator Rod Skoe	X			
Senator David Tomassoni	X			
Representative Tom Anzelc	X			
Representative David Dill	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			
Representative Joe Radinovich	X			
TOTAL	8	0	0	1

Signed: _____
Senator David Tomassoni, Chair

7) FY13 Budget Amendment – Resolution No. 13-026

Action required: Approval requires a simple majority of the quorum

Senator Rod Skoe moved to approve an amendment to the FY13 Budget to add \$550,000 of available TEPF carryforward funds to the Public Works Projects line item in the FY13 Budget, as presented in Resolution No. 13-026. Seconded by Senator Tom Saxhaug. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Rod Skoe, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Saxhaug

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
FISCAL YEAR 2013 AGENCY BUDGET AMENDMENT APPROVAL**

Resolution No.: 13-026

WHEREAS, the Board and Governor have previously approved a Fiscal Year 2013 Budget pursuant to the provisions of Minnesota Statutes Section 298.22, Subd. 11, for the funding of the operational expenditures, programs and projects of the agency during the State's fiscal year 2013, which covered the period of time from July 1, 2012 through June 30, 2013 (the

“FY13 Budget”); and

WHEREAS, the FY13 Budget, as amended by the Board at its December 13, 2013 meeting, made a total of \$8,850,000 available for Public Works Projects from the Taconite Area Environmental Protection Fund (“TEPF”) account; and

WHEREAS, the Commissioner has requested the Board to approve an amendment to the FY13 Budget to add \$550,000 of available TEPF carryforward funds to the Public Works Projects line item in the FY13 Budget, which action would have the effect of increasing the authorized balance in the FY13 Budget’s Public Works Projects Budget line item by \$550,000 (the “**Proposed Budget Amendment**”) to the total sum of \$9,400,000 for FY13; and

WHEREAS, the Board met in open session at 10:00 a.m. on June 17, 2013, at the agency’s Administration Building near Eveleth to consider, among other matters, the Proposed Budget Amendment and determined that amending the FY13 Budget as proposed would help promote economic development within the Taconite Assistance Area.

NOW, THEREFORE, IT IS HEREBY RESOLVED, that the Board approves amending the FY13 Budget to add \$550,000 of available TEPF carryforward funds to the Public Works Projects line item in the FY13 Budget, thereby increasing the authorized amount of the FY13 Budget line item for Public Works Projects to the sum of \$9,400,000.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 17th DAY OF JUNE 2013.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug				X
Senator Rod Skoe	X			
Senator David Tomassoni	X			
Representative Tom Anzelc	X			
Representative David Dill	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			
Representative Joe Radinovich	X			
TOTAL	8	0	0	1

Signed: _____
Senator David Tomassoni, Chair

8) City of Grand Rapids – Resolution No. 13-027

Action required: Project approval requires a simple majority of the quorum

Representative Tom Anzelc moved to approve an expenditure of TEPF funds in an amount not to exceed \$350,000 to the City of Grand Rapids for site development and infrastructure requirements for the relocation and expansion of Hammerlund Construction, as presented in Resolution No. 13-027. Seconded by Representative Jason Metsa. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Rod Skoe, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Saxhaug

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
PUBLIC WORKS PROJECT APPROVAL**

Resolution No.: 13-027

WHEREAS, the Commissioner is authorized to expend, upon approval of the Board, the Taconite Area Environmental Protection Fund monies made available under Minnesota Statutes Section 298.223 (“**TEPF Funds**”) to promote the economic development of the Taconite Assistance Area designated in Minnesota Statutes Section 273.1341 (“**TAA**”), by investing in local economic development projects within the TAA; and

WHEREAS, the agency’s approved FY13 Budget includes the allocation of \$9,400,000 of TEPF Funds for Public Works Projects (“**TEPF Public Works Funds**”), of which sum \$8,850,000 has already been obligated for projects by prior Board actions, leaving \$550,000 that has not yet been approved by the Board for expenditure during FY13; and

WHEREAS, the Commissioner has received a proposal for the expenditure of up to \$350,000 of such TEPF Public Works Funds from the City of Grand Rapids for a community and economic development project that is more specifically described in Exhibit A, which is attached hereto and incorporated by reference (“**Proposed Project**”); and

WHEREAS, the Board met in open session at 10:00 a.m. on June 17, 2013, at the agency’s Administration Building near Eveleth, Minnesota, to consider, among other matters, the Proposed Project and has determined that the expenditure of the proposed amounts of TEPF Funds for the purposes specified would be in the public interest and promote economic development within the TAA; and

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the expenditure of up to \$350,000 of FY13 TEPF Public Works Funds to provide a grant for the Proposed Project for the purposes set forth in Exhibit A.

BE IT FURTHER RESOLVED that the Board’s approval for the expenditure of FY 13 TEPF Public Works Funds for the Proposed Project is contingent upon the agency, in its grant contracts, requiring the grantee entity to commit to the payment of prevailing wages for the funded project as required by law, or to the extent required in the Board’s Resolution 96-005.

BE IT FURTHER RESOLVED that the Board's approval for the expenditure of FY13 TEPF Public Works Funds for the Proposed Project is further contingent upon all such project financing being in place before the agency's funds are released.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 17th DAY OF JUNE 2013.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug				X
Senator Rod Skoe	X			
Senator David Tomassoni	X			
Representative Tom Anzelc	X			
Representative David Dill	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			
Representative Joe Radinovich	X			
TOTAL	8	0	0	1

Signed: _____
 Senator David Tomassoni, Chair

**EXHIBIT A
 PUBLIC WORKS GRANT FY13**

**City of Grand Rapids
 Grant Amount \$350,000**

The project is comprised of site development and infrastructure requirements for the relocation and expansion of Hammerlund Construction. The project includes a new 5,000 sq. ft. headquarters building, equipment yard and an 11,000 sq. ft. mechanical/equipment service building. This project will be bid and will commence immediately upon IRRRB approval. The project is expected to create 10 FTE jobs and 15 FTE construction jobs.

USES

SOURCES

Building	\$1,821,000	IRRRB	\$350,000
Infrastructure and site work	744,000	Private	2,320,000
(A&E)	105,000		
TOTAL	\$2,670,000	TOTAL	\$2,670,000

9) City of Nashwauk – Resolution No. 13-029

TEPF – Action required: Project approval requires a simple majority of the quorum
 Representative Carly Melin moved to approve the expenditure of TEPF funds in an amount not to exceed \$200,000 to the City of Nashwauk for 2nd and 3rd streets, York and Platt Avenue sewer upgrades, as presented in Resolution No. 13-029. Seconded by Representative Joe Radinovich. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Rod Skoe, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Saxhaug

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
PUBLIC WORKS PROJECT APPROVAL**

Resolution No.: 13-029

WHEREAS, the Commissioner is authorized to expend, upon approval of the Board, the Taconite Area Environmental Protection Fund monies made available under Minnesota Statutes Section 298.223 (“**TEPF Funds**”) to promote the economic development of the Taconite Assistance Area designated in Minnesota Statutes Section 273.1341 (“**TAA**”), by investing in local economic development projects within the TAA; and

WHEREAS, the agency’s approved FY13 Budget includes the allocation of \$9,400,000 of TEPF Funds for Public Works Projects (“**TEPF Public Works Funds**”), of which sum \$9,200,000 has already been obligated for projects by prior Board actions, leaving \$200,000 that has not yet been approved by the Board for expenditure during FY13; and

WHEREAS, the Commissioner has received a proposal for the expenditure of up to \$200,000 of such TEPF Public Works Funds by the City of Nashwauk for a community and economic development project that is more specifically described in Exhibit A, which is attached hereto and incorporated by reference (“**Proposed Project**”); and

WHEREAS, the Board met in open session at 10:00 a.m. on June 17, 2013, at the agency’s Administration Building near Eveleth, Minnesota, to consider, among other matters, the Proposed Project and has determined that the expenditure of the proposed amounts of TEPF Funds for the purposes specified would be in the public interest and promote economic development within the TAA; and

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby approves the expenditure of up to \$200,000 of FY13 TEPF Public Works Funds to provide a grant for the Proposed Project for the purposes set forth in Exhibit A.

BE IT FURTHER RESOLVED that the Board’s approval for the expenditure of FY 13 TEPF Public Works Funds for the Proposed Project is contingent upon the agency, in its grant contracts, requiring the grantee entity to commit to the payment of prevailing wages for the funded project as required by law, or to the extent required in the Board’s Resolution 96-005.

BE IT FURTHER RESOLVED that the Board's approval for the expenditure of FY13 TEPF Public Works Funds for the Proposed Project is further contingent upon all such project financing being in place before the agency's funds are released.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 17th DAY OF JUNE 2013.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug				X
Senator Rod Skoe	X			
Senator David Tomassoni	X			
Representative Tom Anzelc	X			
Representative David Dill	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			
Representative Joe Radinovich	X			
TOTAL	8	0	0	1

Signed: _____
 Senator David Tomassoni, Chair

EXHIBIT A PUBLIC WORKS GRANT FY13

City of Nashwauk

Grant Amount \$200,000

At its December 14, 2011 meeting, the IRRR Board approved a \$200,000 public works development grant to the city of Nashwauk as part of a project that included the expansion of Motter Equipment Incorporated in the city's business park. Motter Equipment Incorporated has since located into an area of the city's business park which needs minimal infrastructure updates, so the grant has been cancelled.

In addition to the Motter Expansion public works application the city of Nashwauk applied to the IRRRB public works program for 2nd and 3rd streets, York and Platt Avenue Sewer Upgrades, but did not receive funding for this project.

The project is comprised of sanitary sewer improvements, drainage improvements and street restoration for 2nd and 3rd Streets and York and Platt Avenues. This project has been bid and will commence immediately upon IRRRB approval.

<u>USES</u>		<u>SOURCES</u>	
Sanitary Sewer, drainage and street work	\$582,000	IRRRB City	\$200,000 382,000
TOTAL	\$582,000	TOTAL	\$582,000

10) Restructuring of the Excelsior Energy Loan – Resolution No. 13-030

Senator Tom Bakk moved to approve the restructuring of the Excelsior Energy loan, as presented in Resolution No. 13-030; with his suggestion that any net proceeds that might be paid to

Excelsior, would only be paid after the company has repaid the money it owes to the agency (referencing bullet #4 in the Board packet memo). Seconded by Representative David Dill. Motion carried.

Voting in Favor of the Motion: Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Rod Skoe, Senator David Tomassoni

Voting Against the Motion: Representative Tom Anzelc

Abstain: None

Excused: Senator Tom Saxhaug



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Eveleth, Minnesota 55734-0441
(218)735-3000 • 800-765-5043
Fax: (218)735-3047

To: Iron Range Resources & Rehabilitation Board

From: Tony Sertich
Commissioner

Date: June 17, 2013

Re: Restructuring of Excelsior Energy Loan

I believe when our agency looks to restructure existing agreements we should take into account at least two key factors:

- Will a restructure lead to a better outcome for the development of the project?
- Will a restructure improve the possibility of a return on agency funds?

For over a decade, the Excelsior Energy--Mesabi Energy Project's history has been well documented. I want to remind the board that all funding from agency loans was expended prior to an audit completed in 2008 with recommendations which were complied with at that time. The loan was restructured in 2010 by Commissioner Layman with board support. I do not think it is fruitful to re-litigate past decisions made by previous boards and commissioners as we cannot go back and change those decisions with the hindsight of today. We are where we are, and it is collectively our job to focus on making the best of our current situation.

I am proposing to restructure the loan agreements to address critical issues that may improve on the ability for successful project development and a return on our agency's investment.

This proposal does four things:

1. It permits for a change of scope of the project to allow for energy sources other than coal to be developed (i.e. Natural Gas, Biomass, etc.).
2. Defers any yearly repayments but maintains the interest calculated at 3% per annum.
3. It provides that if a project is built by 2019, Excelsior will pay \$1 million annual payments on the first anniversary of operation to the IRRRB until the loans--currently at \$9.15 million--are paid in full.
4. It also provides that if a project is not built by 2019, the IRRRB will have an option to take over all the assets of Mesabi Energy Project (including permits and site) giving our agency the ability to manage any future development. If we were able to sell the project after this time, Excelsior would receive 25% of the net proceeds of a sale.

The change of scope for the project is necessary as the previous agreement called for construction of a clean coal facility. For various reasons--including the fact that federal funding and loan guarantees are no longer available, I find it highly unlikely that such facility is going to move forward. It is far more likely biomass or natural gas based energy production could be developed.

The other important update from the previous agreement is the collateral to the agency. The previous agreement is unsecured; but with this restructure, our agency will have access to the assets of the Mesabi Energy Project after a reasonable length of time.

This restructuring answers in the affirmative the two questions I posed at the beginning of this memo, and I ask for the board's support on the restructure.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
EXCELSIOR ENERGY, INC. MODIFICATION OF TERMS**

Resolution No.: 13-030

WHEREAS, the Board has previously approved the expenditure of up to \$1.5 million of Board Account funds and the expenditure of up to \$8 million in a combination of Taconite Area Environmental Protection Fund and Board Account funds, for loans to Excelsior Energy, Inc. ("Excelsior") for a proposed coal-gasification and electrical energy generating facility project within the Taconite Assistance Area ("TAA"); and

WHEREAS, consistent with such actions, the agency entered into loan agreements with Excelsior for \$1.5 million on April 24, 2002 and for \$8 million on December 8, 2004; and,

WHEREAS, at its meeting on November 24, 2008, the Board approved extending the first interest payments on the loans until December 31, 2010; and,

WHEREAS, at its meeting on August 19, 2010, the Board approved modifying the loan terms, including extending the due dates for the loans until December 31, 2017; and

WHEREAS, due to delays in the project's permitting, approval and construction timetables, Excelsior has approached the Commissioner and has requested that the terms of the loans be modified consistent with the Board packet materials provided by the Commissioner; and,

WHEREAS, the Board met in open session at 10:00 a.m. on June 17, 2013, at the agency's Administration Building near Eveleth, Minnesota, to consider, among other matters, Excelsior's request.

NOW, THEREFORE, IT IS RESOLVED, that modification of the loan terms consistent with the Board packet materials provided by the Commissioner appears to be in the best interests of the TAA and of the agency.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 17th DAY OF JUNE 2013.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug				X
Senator Rod Skoe	X			
Senator David Tomassoni	X			
Representative Tom Anzelc		X		
Representative David Dill	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			
Representative Joe Radinovich	X			
TOTAL	7	1	0	1

Signed: _____
Senator David Tomassoni, Chair

11) Commissioner's Program Expenditure Authorization – Resolution No. 13-031

Motion by Senator Tom Bakk to approve the Commissioner Program Expenditure Authorization of the remaining \$250,000 (of \$500,000) of FY13 budget funds, as presented in Resolution No. 13-031. Seconded by Representative Carly Melin. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Rod Skoe, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Saxhaug

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
COMMISSIONER'S PROGRAM EXPENDITURE AUTHORIZATION**

Resolution No.: 13-031

WHEREAS, the Board at its June 2012 meeting approved the agency's FY13 Agency Investment Plan (the "FY 13 Budget"), subject to certain conditions contained in the Board's

Resolution 12-034; and,

WHEREAS, the FY13 Budget, under the Programs/Grants portion of the funding authorizations, approved the expenditure of up to \$500,000 for the Commissioner's Program, which is a program by which funds are made available to the Commissioner to make small grants to respond quickly to emergency situations or to support development opportunities that may not meet other agency program requirements ("Program"); and,

WHEREAS, the Board's Resolution 12-034 provided that the Commissioner could expend the first \$250,000 portion of the budgeted Program amount without further Board approval, but that expenditure of the remaining \$250,000 of the budgeted Program amount was subject to further Board approval; and,

WHEREAS, the Board is satisfied with the manner and purposes for which the Commissioner has expended funds from the first \$250,000 of Program funds and wishes now to authorize the expenditure of the remaining \$250,000 of FY13 Budget funds for the Program.

NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves, for grants and encumbrancing on or after June 17, 2013, the expenditure of the remaining \$250,000 portion of the Commissioner's Program funds in the approved FY13 Budget.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 17th DAY OF JUNE 2013.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug				X
Senator Rod Skoe	X			
Senator David Tomassoni	X			
Representative Tom Anzelc	X			
Representative David Dill	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			
Representative Joe Radinovich	X			
TOTAL	8	0	0	1

Signed: _____
Senator David Tomassoni, Chair

12) FY2014 Budget – Resolution No. 13-028

Action required: Approval requires a simple majority of the quorum

Commissioner Sertich presented the FY2014 Budget and made special note to the following:

- 1) Request for Commissioner authority to sign off on projects up to \$500,000
 - a. In order to streamline the agency's process of getting money to businesses, Commissioner Sertich asked that (as a one-year pilot program) the Board authorize the Commissioner to approve loans up to \$500,000, which would include the following oversight:
 - i. Signoff by the Board Chair
 - ii. Technical Advisory Committee (TAC) approval

- iii. Project must qualify under the Agency's established guidelines

The public and Board would be made aware of project approval immediately.

- 2) Community comprehensive plan requirements for FY2015 Budget
 - a. To ensure our communities are planning for the future, Commissioner Sertich said he will propose for the FY2015 Budget, a new public works guideline requirement that all communities, in order to receive public works funding, must have an updated comprehensive plan on file with IRRRB.
 - i. It will make certain that projects are shovel-ready, fit with the communities resources and that matching funds are in place.
 - ii. It will also make certain that agency dollars won't fund projects that might be at odds with future mining plans.
- 3) Repayment of DJJ Corpus
 - a. As part of the FY2014 Budget, the IRRRB will pay back \$2 million of the more than \$8 million that had been borrowed from the DJJ Corpus in 2010 to refinance and payoff the agency's debt on bonds that went to build the Giants Ridge Quarry Golf Course.

Senator Skoe said that he would like to see the history of the DJJ Corpus, its value and how it is invested.

Senator Bakk mentioned that when a vote was taken by the Board to withdraw the money from the Corpus to pay off the bonds, he attached an amendment to the resolution, requiring that the money be paid back to the Corpus. He said the amendment should be reviewed.

Senator Tom Bakk moved to approve the FY2014 Budget, as presented in Resolution No. 13-028 and Addendum A, making a special note that the Commissioner signoff authority for loans up to \$500,000, would sunset after one year. Seconded by Representative Jason Metsa. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative David Dill, Representative Carly Melin, Representative Jason Metsa, Representative Joe Radinovich, Senator Tom Bakk, Senator Rod Skoe, Senator David Tomassoni

Voting Against the Motion: None

Abstain: None

Excused: Senator Tom Saxhaug

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
FISCAL YEAR 2014 AGENCY BUDGET APPROVAL**

Resolution No.: 13-028

WHEREAS, the Commissioner pursuant to the provisions of Minnesota Statutes Section 298.22, Subd. 11 has submitted to the Board for its consideration and approval a proposed FY 2014 budget for the funding of operational expenditures, programs and projects of the agency during the State's fiscal year 2014 ("FY14") which covers the period of time from July 1, 2013, through June 30, 2014 (the "**Proposed FY14 Budget**"); and

WHEREAS, the Board met at the agency's Administration Building near Eveleth on Monday, June 17, 2013, at 10:00 a.m. to consider, among other matters, the Proposed FY14 Budget; and

WHEREAS, the Board, after careful deliberation of the current and future resources anticipated to be available to the agency, has concluded that it would be in the best interests of the agency and the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341 ("TAA") to approve the Proposed FY14 Budget and to approve the requested expenditures of funds made available to the Commissioner under the provisions of Minnesota Statutes Section 298.22 ("**Board Account**"), Section 298.223 ("**Taconite Area Environmental Protection Fund**"), Sections 298.291 through 298.294 ("**Douglas J Johnson Economic Protection Trust Fund**"), and Section 298.17 ("**Occupation Tax Funds**"), for the projects and purposes, in the amounts, and to the extent requested for final approval authorization in the Proposed FY14 Budget.

NOW, THEREFORE, IT IS HEREBY RESOLVED that the Board approves the Proposed FY14 Budget and the expenditure authorizations therein requested to fund the Operations, Giants Ridge Golf & Ski Resort and Programs sections of Budget during FY14, subject to the understanding that the Board at subsequent meetings during FY14 will approve on a project-by-project basis the expenditure of the funding designated in the Projects section of the Budget except as otherwise provided in the Budget.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 17th DAY OF JUNE 2013.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk	X			
Senator Tom Saxhaug				X
Senator Rod Skoe	X			
Senator David Tomassoni	X			
Representative Tom Anzelc	X			
Representative David Dill	X			
Representative Carly Melin	X			
Representative Jason Metsa	X			
Representative Joe Radinovich	X			
TOTAL	8	0	0	1

Signed: _____

11) Adjournment

The meeting adjourned at 11:55 a.m.

FY 2014 Budget



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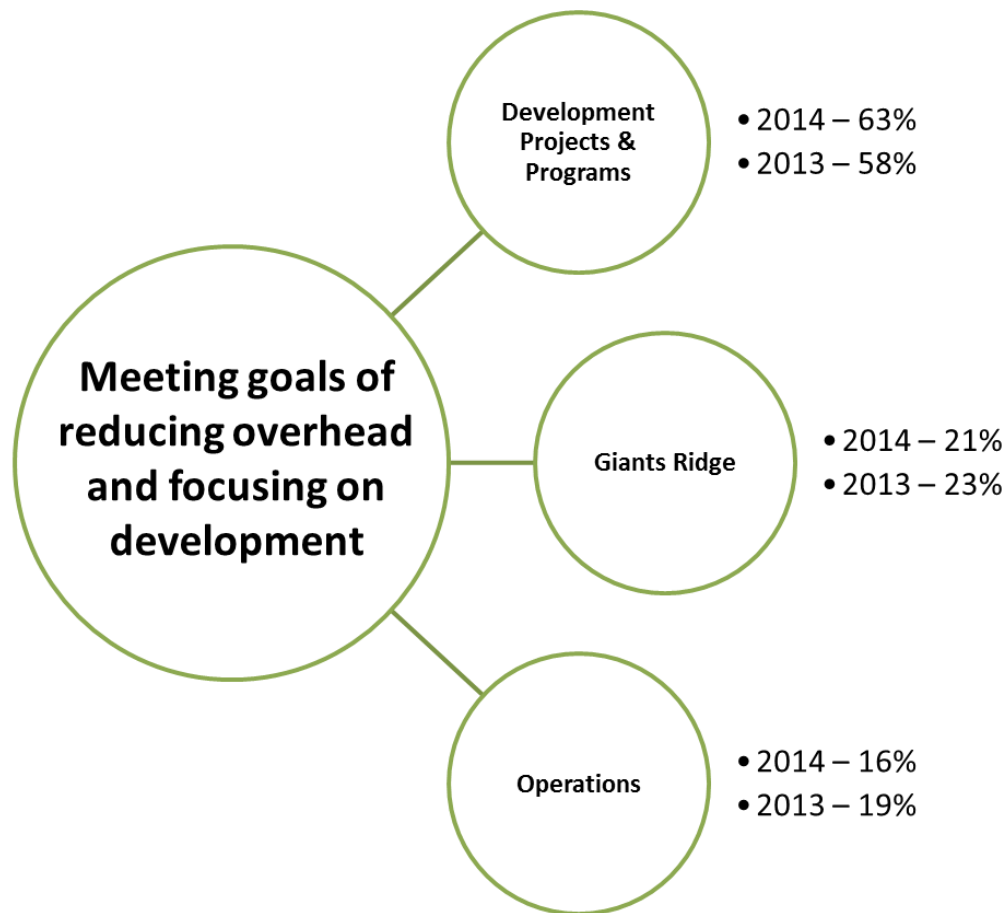
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***The IRRRB's mission is to promote and invest in
business, community and workforce development
for the betterment of northeastern Minnesota.***

FY14 July 1, 2013 – June 30, 2014

This proposed FY14 IRRRB budget represents the agency's commitment to investing in a better future for northeastern Minnesota. It is organized in order of funding priorities - public investments in development projects and programs, Giants Ridge Golf and Ski Resort and operational costs.

Development projects and programs account for 63% of the agency's spending; Giants Ridge 21%; and operations 16%. A high level overview of resources and expenditures is presented below, followed by individual narrative and budget sections.



FY14 Budget

Iron Range Resources & Rehabilitation Board	FY 2013 Budget	FY 2013 Projected	FY 2014 Budget
Resources			
Carryforward In	\$16,169,941	\$19,883,344	\$12,511,670
Current Resources			
Taconite Production Taxes	\$13,770,626	\$13,770,626	\$21,384,480
Investment Earnings	494,116	511,904	494,116
Loan Revenues	2,574,849	5,301,637	2,552,311
Facilities Revenues	5,123,404	4,903,114	4,806,250
Occupation Tax Region III	455,767	455,767	574,655
Subtotal Current Resources	\$22,418,762	\$24,943,048	\$29,811,812
Total Resources	\$38,588,703	\$44,826,392	\$42,323,482
Estimated Expenditures			
Projects			
Development Projects	7,500,000	7,254,488	9,000,000
Public Works	8,850,000	8,850,000	7,000,000
Total Projects	\$16,350,000	\$16,104,488	\$16,000,000
Programs			
Program Grants	4,206,572	4,139,074	5,131,572
Occupation Tax Region III	455,767	455,767	574,655
Total Programs	\$4,662,339	\$4,594,841	\$5,706,227
Giants Ridge Golf & Ski Resort	\$7,270,234	\$7,124,436	\$7,996,901
Operations & Development Fixed Costs	\$5,813,757	\$4,490,956	\$5,993,888
Giants Ridge Bond Redemption Repayment	\$0	\$0	\$2,000,000
Total FY14 Budget	\$34,096,330	\$32,314,721	\$37,697,016
Estimated Carryforward Out	\$4,492,373	\$12,511,670	\$4,626,466

Projects

Development Projects - \$9,000,000

A total of \$9,000,000 is designated for economic development projects to promote business development opportunities and attract new investments to the region. In an effort to streamline approvals, improve timeliness, and better serve businesses, a pilot project approval process will be tested in FY14. The Commissioner will be authorized to approve loans up to \$500,000 for projects that meet the following conditions:

- Qualify for IRRRB financing under established guidelines.
- Approval by the Technical Advisory Committee (TAC).
- Sign-off by the IRRR Board Chair.

All projects over \$500,000 will be brought before the IRRR Board for approval at a subsequent meeting. The new approval process will sunset after one year.

Public Works - \$7,000,000

Public Works grants help cities, townships, airport authorities, hospital boards, utility commissions and collaborative organizations complete projects that support community and economic development. Eligible projects include publicly owned infrastructure such as wastewater, drinking water, storm water and utility systems, health care and airport facility improvements and renewable energy or energy efficiency initiatives.

Projects Budget

Development Projects	FY 2013 Budget	FY 2013 Projected	FY 2014 Budget
Development Projects	\$7,500,000	\$7,254,488	\$9,000,000
Public Works	8,850,000	8,850,000	7,000,000
Total Development Projects	\$16,350,000	\$16,104,488	\$16,000,000



Programs

Grants

Community Development

Commercial Redevelopment - \$1,000,000

Commercial Redevelopment grants fund the demolition and removal of commercial or publicly-owned structures, or the clean-up of brownfield sites, making way for new development.

Residential Redevelopment - \$350,000

Grants to cities and townships assist in the demolition and removal of dilapidated residential structures, promoting in-fill development on previously developed sites. Funding support encourages new construction and helps create cleaner, safer, and healthier communities. Applications are accepted from communities year-round.

Home Energy Improvement - \$500,000

The Home Energy Improvement program provides homeowners and owners of rental properties within the IRRRB service area with funds for property improvements that promote energy conservation and efficiency. Examples include: window and door replacement, new furnaces, water heaters, wall and ceiling insulation, roofing, siding, solar, wind, and geothermal energy. Arrowhead Economic Opportunity Agency (AEOA) administers the program, which targets owners with incomes that are above the guidelines for current programs. Benefits are investing in housing stock and creating jobs for those who work on such improvements.

Development Partnerships - \$250,000

While this funding is not new, a line item was created to account for the agency's partnerships with regional development entities. Past partnerships include: the Blandin Foundation, East Range Joint Powers Board, Enterprise Minnesota, Entrepreneur Fund, Northland Connection regional economic development website, and Quad Cities Small Business Development Center. These partnerships match agency funds on development programs and initiatives that are consistent with IRRRB objectives.

Community Comprehensive Plan Updates - \$200,000

This new grant program will help communities fund the development and adoption of comprehensive plans in the areas of public works and infrastructure. The plans will better enable communities to make strategic long term development decisions and will also aid IRRRB in making funding decisions.

Education/Workforce Development - \$300,000

Grants assist in workforce development by funding programs for industry, industry clusters, schools or collaborative partners that build capacity, responsiveness or

innovation to address workforce needs. Funding is also available for secondary and post-secondary educational institutions to develop and deliver curriculum that prepares students for a seamless transition from high school or post-secondary education to the workforce.

Mining and Mineland Reclamation

Mining & Mineland Reclamation - \$285,000

FY14 projects and programs funded include mine pit fish stocking (\$15,000), emergency safety projects and repair (\$20,000), Mining and Mineral Development (\$100,000), and the new Challenge Grant Program (\$150,000) that will stimulate communities to proactively address current and future conflicts with mining.

Laurentian Vision Partnership - \$250,000

Laurentian Vision Innovation project grants encourage and help fund collaborations between mining companies and local governments. Eligible projects advance the Laurentian Vision Partnership's goal to create post-mining landscapes that benefit Iron Range communities.

Culture and Tourism

Culture and Tourism - \$150,000

Culture and Tourism grants help non-profit organizations undertake projects that stimulate tourism and enrich communities through artistic, heritage-related or recreational activities.

Minnesota Discovery Center - \$1,321,572

Minnesota Discovery Center's mission is to "collect, preserve, interpret and promote the history and cultural heritage of northeastern Minnesota; and to manage, promote, sustain and develop the assets of Ironworld for the long-term benefit of area residents and visitors."

Through FY 2016 the Sublease/Management Agreement provides an annual \$1,000,000 operating subsidy, the interest on an endowment fund and a \$250,000 challenge grant for operating or endowment fund raising. In addition to these financial terms, the budget includes \$71,572 for building capital improvements.

Commissioner Program - \$500,000

Grants under the Commissioner Program allow the agency to respond quickly to emergency situations or to support development opportunities that may not meet other program requirements.

Application Fund - \$25,000

The agency reimburses communities, non-profits and educational organizations for up to one-half of the cost of applying for funding from other state, federal or private grant programs.

Programs Budget

Program Grants	FY 2013 Budget	FY 2013 Projected	FY 2014 Budget
Community Development			
Commercial Redevelopment	\$500,000	\$500,000	\$1,000,000
Residential Redevelopment	350,000	350,000	350,000
Home Energy Improvement	500,000	500,000	500,000
Business Energy Retrofitting	250,000	250,000	0
Development Partnerships	0	0	250,000
Community Comprehensive Plan Updates	0	0	200,000
Total Community Development	\$1,600,000	\$1,600,000	\$2,300,000
Education/Workforce Development	\$300,000	\$263,620	\$300,000
Mining and Mineland Reclamation			
Mineland Reclamation and Restoration	\$35,000	\$16,202	\$285,000
Laurentian Vision Innovation Projects	250,000	250,000	250,000
Total Mining and Mineland Reclamation	\$285,000	\$266,202	\$535,000
Culture & Tourism			
Culture & Tourism	\$150,000	\$150,000	\$150,000
Minnesota Discovery Center	1,321,572	1,321,572	1,321,572
Total Culture & Tourism	\$1,471,572	\$1,471,572	\$1,471,572
Commissioner Program	\$500,000	\$500,000	\$500,000
Application Fund	\$50,000	\$37,680	\$25,000
Total Program Grants	\$4,206,572	\$4,139,074	\$5,081,572

Region III

State law directs IRRRB to serve as the fiscal agent for Carlton and Koochiching County (Region III) grants from occupation taxes for economic and environmental development projects. IRRRB does not make any funding decisions, but funds pass through under the following provisions:

- The allocation is equal to the amount that would have been generated by a 1.5-cent tax imposed on each taxable ton for the preceding production year.
- The amount for both counties in FY13 was \$455,767, from which IRRRB was reimbursed \$14,000 for costs of administering the fund.
- By law, one-third of the portion allocated for Koochiching County must be used to fund the Koochiching County Economic Development Commission.

Region III Grant – Carlton/Koochiching	FY 2013 Budget	FY 2013 Projected	FY 2014 Budget
Region III	\$455,767	\$455,767	\$574,655

Giants Ridge Bond Redemption Repayment

On August 19, 2010, the IRRR Board approved paying off early the debt service for The Quarry Golf Course at Giants Ridge, which resulted in a cost savings of approximately \$6.5 million. The total debt service payment made from the DJJ Corpus was \$8,707,969. At that time, it was resolved that the agency would replenish the DJJ Corpus funds at a later date. Accordingly, in FY14, \$2 million will be repaid to the DJJ Corpus as a first installment.

Giants Ridge Golf & Ski Resort

The primary mission of Giants Ridge is to develop and promote tourism and recreational opportunities for the economic enhancement and diversification of the IRRRB service area. Giants Ridge features 36 holes of championship golf and a winter sports area that attracts over 100,000 visitors annually from Minnesota, the United States and Canada. The Giants Ridge recreation area is comprised of 10,000 acres of land of which IRRRB owns 1,850 acres. A Master Plan for the Giants Ridge recreational area serves as the blueprint for residential and commercial growth.

In 2011, Giants Ridge created 276 jobs directly and an additional 82 jobs indirectly across St. Louis County. The facility's annual economic activity across the IRRRB service area totaled \$6.3 million in output spending and \$3.6 million in value-added spending.*

Giants Ridge is a public-private partnership that has attracted private sector development in the way of real estate and housing, therefore increasing the state and local tax bases. In 2012, the private area real estate properties at Giants Ridge provided approximately \$1.2 million in total tax revenue to the area. Their total market value is \$68.9 million with a total economic value of \$70.1 million.*

The organizational structure at Giants Ridge is comprised of four operators: the IRRRB and three contract vendors. IRRRB operates the ski area and physical plant. As a contract vendor, Troon operates the golf courses and all food and beverage services for ski, golf, and an on-site hotel. Northern Lights Sports operates the winter and summer rentals, a snow shop and ski school through its contract vendor service. In addition, Rural Source Management Group provides central reservations services to Giants Ridge and surrounding area lodging properties.

Giants Ridge Golf & Ski Resort Budget

* *Economic Impact Study, conducted by the Labovitz School of Business and Economics, University of Minnesota Duluth, Bureau of Business and Economic Research, 2012*

Giants Ridge Golf & Ski Resort	FY 2013 Budget	FY 2013 Projected	FY 2014 Budget
Revenues			
Admissions	\$2,661,225	\$2,255,693	\$2,433,422
Facility Rental	123,420	120,627	116,495
Other Revenue	175,388	219,653	215,117
Retail Sales	1,841,279	1,663,398	1,706,425
Total Revenues	\$4,801,312	\$4,259,371	\$4,471,459
Expenses			
Cost of Sales	\$ 836,203	\$ 872,109	\$ 829,846
Salaries & Benefits	3,693,108	3,477,501	3,896,256
Utilities	303,627	304,701	312,552
Advertising & Marketing	547,000	422,189	505,332
Equipment Rental	147,330	141,940	161,515
Management Fees	146,340	134,041	138,963
Maintenance & Repairs	584,105	540,576	505,973
Supplies	418,601	338,658	409,276
Insurance	119,025	102,998	101,874
Purchased Services		623,376	564,031
	313,539		
Non-Capital Assets - 471	60,000	64,902	113,926
Total Operational Expenses	\$7,168,878	\$7,022,991	\$7,539,544
Non Operational Expenses			
Interest and Financing	\$ 101,356	\$ 101,445	\$101,357
Capital Assets	0	0	356,000
Total Non-Operational Expenses	\$ 101,356	\$ 101,445	\$457,357
Total Expenditures	\$7,270,234	\$7,124,436	\$7,996,901

Operational Costs

Operational costs include day-to-day general and administrative expenses for running the agency: payroll, purchased services, indirect costs, supplies, materials, repairs and maintenance. Personnel expenses include all Operations and Development employees.

Operational Costs Budget

Operational Costs	FY 2013 Budget	FY 2013 Projected	FY 2014 Budget
Payroll			
Wages and Benefits	\$3,345,968	\$2,882,070	\$3,458,179
Retirement Insurance	192,704	177,799	252,555
Unemployment Compensation	100,000	69,524	100,000
Workers Compensation	136,000	136,000	137,000
Other Payroll Costs	15,400	8,102	15,400
Total Payroll	\$3,790,072	\$3,273,495	\$3,963,134
Purchased Services			
Rentals and Utilities	\$78,140	44,408	76,780
Printing and Advertising	102,800	54,295	62,814
Professional/Technical Services	193,400	130,855	280,700
Computer and Computer Services	95,800	128,777	95,800
Communications	131,360	123,041	131,300
Travel	166,450	127,073	177,150
Employee Development	37,700	16,776	44,300
Total Purchased Services	\$805,650	\$625,225	\$868,844
Supplies and Equipment	\$389,110	\$153,622	\$439,570
Repairs and Maintenance	\$217,140	\$117,936	\$339,740
Indirect Costs			
Statewide Indirect Costs	\$131,637	\$89,756	\$106,000
Attorney General Costs	336,000	84,603	120,000
Total Indirect Costs	\$467,637	\$174,359	\$226,000
Other Operating Costs	\$144,148	\$146,316	\$156,600
Total Operational Costs	\$5,813,757	\$4,490,954	\$5,993,888